

CORRECTED FISCAL MEMORANDUM

SB 190 – HB 1145

April 4, 2007

SUMMARY OF AMENDMENT (004763): Deletes language of original bill. Exempts programmable thermostats and compact florescent light bulbs manufactured for residential use from state sales tax, effective July 1, 2007.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenues - \$12,154,000 / General Fund
\$27,258,000 / Education Fund
\$154,000 / Department of Revenue
\$385,000 / Sinking Fund

Decrease Local Govt. Revenues- \$1,923,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 21, 2007, we issued a fiscal memorandum for this bill as amended with the following estimated fiscal impact:

*Decrease State Revenues - \$1,234,000 / General Fund
\$2,766,000 / Education Fund
\$16,000 / Department of Revenue
\$39,000 / Sinking Fund*

Decrease Local Govt. Revenues - \$195,000

Based on new information received by the U.S. Environmental Protection Agency (EPA), the fiscal impact of this bill as amended is estimated as follows:

(CORRECTED)

**Decrease State Revenues - \$304,000 / General Fund
\$681,000 / Education Fund
\$4,000 / Department of Revenue
\$10,000 / Sinking Fund
\$999,000 – Total Recurring Decrease**

Decrease Local Govt. Revenues - \$48,000

Assumptions applied to amendment:

- According to the Department of Revenue (DOR), approximately 40,000 new homes are built in Tennessee each year.
- According to the U.S. Environmental Protection Agency (EPA), approximately 36% of all thermostats manufactured and shipped in 2006 were programmable thermostats.
- 36% of new homes (or 14,400) are built with programmable thermostats.
- The retail price for programmable thermostats range from \$29.00 to \$99.00 each (source: Lowes Home Improvement). The median retail price for a programmable thermostat is estimated to be \$69 each.
- 2,000,000 existing households in Tennessee.
- 10% of existing households (or 200,000) purchase new thermostats each year. 36% of these (or 72,000) are estimated to be programmable thermostats.
- Taxable sales for programmable thermostats for all Tennessee households are estimated to be \$5,962,000 per year ($[14,400 \text{ new homes} \times \$69 = \$993,600] + [72,000 \text{ existing households} \times \$69 = \$4,968,000] = \$5,961,600$).
- The decrease to state revenues resulting from authorized exemptions for programmable thermostats is estimated to be \$417,000 per year ($\$5,962,000 \times 7\% \text{ state rate} = \$417,340$).
- According to the U.S. EPA, approximately 6% of all light bulbs manufactured and shipped in 2006 were compact fluorescent light bulbs.
- 6% of all households use compact fluorescent light bulbs (or 120,000 households).
- Average household spends \$75 per year on compact fluorescent light bulbs.
- Taxable sales for compact fluorescent light bulbs are estimated to be \$9,000,000 ($120,000 \text{ households} \times \$75 = \$9,000,000$).
- The decrease to state revenues resulting from authorized exemptions for compact fluorescent light bulbs is estimated to be \$630,000 per year ($\$9,000,000 \times 7\% \text{ state rate} = \$630,000$).
- The net decrease to state sales tax revenue is estimated to be \$1,047,000 per year ($\$417,000 \text{ from programmable thermostats} + \$630,000 \text{ from compact fluorescent light bulbs} = \$1,047,000$).
- The \$1,047,000 in state sales tax revenue would be apportioned as follows: \$304,000 to the General Fund, \$681,000 to the Education Fund, \$48,000 to local governments, \$4,000 to DOR, and \$10,000 to the Sinking Fund.
- Local governments will lose approximately \$48,000 per year in state-shared sales tax revenue.
- The net decrease to state revenues is estimated to be \$999,000 per year ($\$1,047,000 - \$48,000 \text{ local share} = \$999,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc